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CITY OF OAKLAND

REPORT ON EXAMINATION

JUNE 30, 1966

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Budgets Municipal "*

LYBRAND, ROSS BROS. & MONTGOMERY

CERTIFIED PUBLIC ACCOUNTANTS

OAKLAND

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AUDITOR-CONTROLLER
CITY OF OAKLAND

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LYBRAND, ROSS BROS. & MONTGOMERY

CERTIFIED PUBLIC ACCOUNTANTS

1330 BROADWAY

OAKLAND, CALIFORNIA 94612

834-5400 (AREA CODE 415)

December 27, 1966

The Honorable John H. Reading, Mayor
City of Oakland
Oakland, California

In compliance with Section 24 of the Charter of the City of Oakland and in accordance with our contract of June 27, 1966, Auditor-Controller's number 13683, we have examined the balance sheet, analysis of changes in fund balances, statement of revenue and statement of expenditures by function, covering all of the funds of the City of Oakland, together with the accounts and records of the officers and departments of the City of Oakland for the fiscal year ended June 30, 1966. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our contract did not include the examination of the operations and financial position of the Public Service Enterprise Fund (Port Department) which is being examined by another independent certified public accountant.

The accounts for land, buildings and improvements, included in fixed assets at \$164,145,178, represent an accumulation of capital outlay at cost, reduced by the original cost of properties sold when these costs could be established, or by the sales proceeds when these costs could not be determined. No detailed records are presently available to relate the total real property owned by the City to the accounts shown in the City's books. Generally accepted governmental accounting procedures recommend an adjustment of book accounts to a property inventory, based on acquisition costs where ascertainable, or else on current market values.

In our opinion, the accompanying financial statements present fairly the financial position of the various funds of the City of Oakland at June 30, 1966, and the results of their transactions for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

However, because of the procedures followed in recording fixed assets, we are unable to express an opinion that the statements fairly present the overall financial position of the City.

Lybrand, Ross Bros. & Montgomery

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CITY OF OAKLAND

BALANCE SHEET--ALL FUNDS--JUNE 30, 1966

	Totals (See Note 1)	General Fund	Special Revenue Funds	Revolving and Working Capital Funds
<u>ASSETS</u>				
Cash	\$ 27,839,732	\$ 3,723,652	\$ 11,791,007	\$ 5,165,655
Imprest cash	6,129	3,099	1,530	---
Accounts receivable	5,692,001	1,558,455	777,325	92,649
Less allowance for estimated losses	(198,935)	(57,033)	(42,137)	---
Investments	48,657,220	500,000	---	---
Prepaid expenses and deferred charges	2,474,638	316,794	567,768	284,991
Due from other funds	12,444,282	4,054,478	4,999,018	45,871
Unmatured bonded indebtedness	24,613,000	---	4,175,000	---
Fixed assets	197,659,625	---	---	---
Less allowance for depreciation	(13,391,711)	---	---	---
Total assets	<u>\$ 305,795,981</u>	<u>\$ 10,099,445</u>	<u>\$ 22,269,511</u>	<u>\$ 5,589,166</u>
<u>LIABILITIES, RESERVES AND FUND BALANCES</u>				
Accounts, notes and judgments due--Note 2	\$ 4,721,041	\$ 1,929,313	\$ 536,687	\$ 248,220
Contracts and serial liabilities	17,415	---	---	---
Deferred credits	482,723	15,828	10,747	---
Due to other funds	12,444,282	3,167,284	5,745,810	87,784
Reserve for encumbrances	14,185,406	1,845,543	8,189,413	183,193
Reserve for deferred charges	1,030,432	316,794	567,768	47,370
Reserve for non-expendable funds	505,631	503,099	2,532	---
Reserve for future costs	531,563	186,619	---	---
Bonded debt--not matured	31,983,000	---	4,175,000	---
Fund balances:				
Invested in fixed assets	183,693,328	---	---	---
Reserved for refundable deposits	270,414	---	---	---
Equity	<u>55,930,746</u>	<u>2,134,965</u>	<u>3,041,554</u>	<u>5,022,599</u>
Total liabilities, reserves and fund balances	<u>\$ 305,795,981</u>	<u>\$ 10,099,445</u>	<u>\$ 22,269,511</u>	<u>\$ 5,589,166</u>

See accompanying notes

BALANCE SHEET--ALL FUNDS--JUNE 30, 1966

<u>Special Assessment Funds</u>	<u>Bond Funds</u>	<u>Bond Interest and Redemption Funds</u>	<u>Trust and Agency Funds</u>	<u>Public Service Enterprise Fund</u>	<u>General Fixed Assets and General Bonded Debt Fund</u>
\$ 66,092	\$ 3,306,051	\$ 306,240	\$ 2,574,246	\$ 906,789	\$ ---
---	---	---	---	1,500	---
43,690	---	26,009	2,045,395	1,148,478	---
---	---	---	---	(99,765)	---
---	---	---	47,037,837	1,119,383	---
---	98,500	---	---	1,206,585	---
62,930	2,610,277	---	---	671,708	---
---	---	---	---	---	20,438,000
---	3,848,578	---	---	64,013,872	129,797,175
---	---	---	---	(13,391,711)	---
<u>\$ 172,712</u>	<u>\$ 9,863,406</u>	<u>\$ 332,249</u>	<u>\$ 51,657,478</u>	<u>\$ 55,576,839</u>	<u>\$ 150,235,175</u>
\$ 6,817	\$ 95,664	\$ 297,248	\$ 433,268	\$ 1,173,824	\$ ---
---	---	---	---	17,415	---
82,661	---	---	---	373,487	---
68,796	2,620,332	---	82,566	671,710	---
---	2,444,018	---	497	1,522,742	---
---	98,500	---	---	---	---
---	---	---	---	344,944	---
---	---	---	---	7,370,000	20,438,000
---	---	---	---	---	---
---	3,848,578	---	---	50,047,575	129,797,175
---	---	---	270,414	---	---
<u>14,438</u>	<u>756,314</u>	<u>35,001</u>	<u>50,870,733</u>	<u>(5,944,858)</u>	<u>---</u>
<u>\$ 172,712</u>	<u>\$ 9,863,406</u>	<u>\$ 332,249</u>	<u>\$ 51,657,478</u>	<u>\$ 55,576,839</u>	<u>\$ 150,235,175</u>

See accompanying notes

CITY OF OAKLANDANALYSIS OF CHANGES IN FUND BALANCESFOR THE YEAR ENDED JUNE 30, 1966

	<u>Totals</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>
Balances, July 1, 1965	\$ <u>100,188,587</u>	\$ <u>1,628,691</u>	\$ <u>2,373,202</u>
Revenues--Page 6	\$ 55,891,949	\$ 32,593,362	\$ 13,970,152
Reimbursements and trust and agency receipts	53,391,080	858,613	255,999
Transfers from other funds	767,492	34,221	575,487
Reserve for encumbrances, July 1, 1965	14,196,093	2,093,597	6,123,424
Other additions	<u>9,262,652</u>	<u>4,168</u>	<u>16,007</u>
Total additions	\$ <u>133,509,266</u>	\$ <u>35,583,961</u>	\$ <u>20,941,069</u>
Less:			
Expenditures--Page 6	\$ 56,739,351	\$ 31,860,539	\$ 11,521,457
Reimbursed and trust and agency expenditures	52,586,628	825,430	246,627
Transfers to other funds	767,492	311,970	280,822
Reserve for encumbrances, June 30, 1966	14,185,406	1,845,543	8,189,413
Other deductions	<u>3,170,241</u>	<u>234,205</u>	<u>34,398</u>
Total deductions	\$ <u>127,449,118</u>	\$ <u>35,077,687</u>	\$ <u>20,272,717</u>
Balances, June 30, 1966	\$ <u><u>106,248,735</u></u>	\$ <u><u>2,134,965</u></u>	\$ <u><u>3,041,554</u></u>

ANALYSIS OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 1966

Revolving and Working Capital Funds	Special Assessment Funds	Bond Funds	Bond Interest and Redemption Funds	Trust and Agency Funds	Public Service Enterprise Fund
\$ 5,034,364	\$ 72,313	\$ 1,215,924	\$ 117,832	\$ 45,543,800	\$ 44,202,461
\$ 46,227	\$ 59,388	\$ ---	\$ 1,930,668	\$ 103,177	\$ 7,188,975
33,581,726	29,117	---	---	17,000,786	1,664,839
55,784	---	54,000	13,000	---	35,000
73,718	1,693	4,871,803	---	338	1,031,520
2,403	---	---	---	5,153,779	4,086,295
\$ 33,759,858	\$ 90,198	\$ 4,925,803	\$ 1,943,668	\$ 22,258,080	\$ 14,006,629
\$ 279,716	\$ 63,511	\$ 2,819,023	\$ 2,024,955	\$ 10,043	\$ 8,160,107
33,292,930	84,562	---	---	16,633,172	1,503,907
15,784	---	122,372	1,544	---	35,000
183,193	---	2,444,018	---	497	1,522,742
---	---	---	---	17,021	2,884,617
\$ 33,771,623	\$ 148,073	\$ 5,385,413	\$ 2,026,499	\$ 16,660,733	\$ 14,106,373
\$ 5,022,599	\$ 14,438	\$ 756,314	\$ 35,001	\$ 51,141,147	\$ 44,102,717

CITY OF OAKLANDSTATEMENT OF REVENUE--ALL FUNDSFOR THE YEAR ENDED JUNE 30, 1966

	<u>Totals</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>
Property taxes	\$ 22,899,375	\$ 15,288,256	\$ 5,779,090
Other local taxes	8,843,373	8,636,865	206,508
Licenses and permits	2,460,950	1,935,539	525,411
Fines, forfeits and penalties	1,888,065	830,707	1,057,180
Use of money and property	1,351,131	730,929	374,821
From other agencies	8,579,200	4,139,337	4,034,689
Charges for current services	2,242,593	409,197	1,774,186
Other revenue	<u>7,627,262</u>	<u>622,532</u>	<u>218,267</u>
Total revenue	\$ 55,891,949	\$ 32,593,362	\$ 13,970,152
Reimbursements and trust and agency receipts	<u>53,391,080</u>	<u>858,613</u>	<u>255,999</u>
Totals	<u>\$ 109,283,029</u>	<u>\$ 33,451,975</u>	<u>\$ 14,226,151</u>

STATEMENT OF EXPENDITURES BY FUNCTION--ALL FUNDSFOR THE YEAR ENDED JUNE 30, 1966

	<u>Totals</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>
General government	\$ 4,275,457	\$ 3,438,386	\$ 655,055
Public safety	16,831,736	16,564,938	58,135
Highways, sanitation and waste removal	8,007,918	3,634,025	4,311,702
Conservation of health	14,061	14,061	---
Schools, libraries and recreation	10,384,681	1,042,667	6,282,152
Miscellaneous	<u>17,225,498</u>	<u>7,166,462</u>	<u>214,413</u>
Total expenditures	\$ 56,739,351	\$ 31,860,539	\$ 11,521,457
Reimbursed and trust and agency expenditures	<u>52,586,628</u>	<u>825,430</u>	<u>246,627</u>
Totals	<u>\$ 109,325,979</u>	<u>\$ 32,685,969</u>	<u>\$ 11,768,084</u>

CITY OF OAKLAND

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STATEMENT OF REVENUE--ALL FUNDSFOR THE YEAR ENDED JUNE 30, 1966

<u>Revolving and Working Capital Funds</u>	<u>Special Assessment Funds</u>	<u>Bond Funds</u>	<u>Bond Interest and Redemption Funds</u>	<u>Trust and Agency Funds</u>	<u>Public Service Enterprise Funds</u>
\$ ---	\$ ---	\$ ---	\$ 1,759,481	\$ 72,548	\$ ---
---	---	---	---	---	---
---	---	---	---	---	---
---	178	---	---	---	---
---	---	---	129,212	30,629	85,540
---	---	---	41,975	---	363,199
---	59,210	---	---	---	---
<u>46,227</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>6,740,236</u>
\$ 46,227	\$ 59,388	\$ -0-	\$ 1,930,668	\$ 103,177	\$ 7,188,975
<u>33,581,726</u>	<u>29,117</u>	<u>---</u>	<u>---</u>	<u>17,000,786</u>	<u>1,664,839</u>
<u>\$ 33,627,953</u>	<u>\$ 88,505</u>	<u>\$ -0-</u>	<u>\$ 1,930,668</u>	<u>\$ 17,103,963</u>	<u>\$ 8,853,814</u>

STATEMENT OF EXPENDITURES BY FUNCTION--ALL FUNDSFOR THE YEAR ENDED JUNE 30, 1966

<u>Revolving and Working Capital Funds</u>	<u>Special Assessment Funds</u>	<u>Bond Funds</u>	<u>Bond Interest and Redemption Funds</u>	<u>Trust and Agency Funds</u>	<u>Public Service Enterprise Funds</u>
\$ 16,165	\$ 59,403	\$ 106,448	\$ ---	\$ ---	\$ ---
158,688	---	49,975	---	---	---
58,083	4,108	---	---	---	---
---	---	---	---	---	---
40,321	---	2,454,100	---	10,043	555,398
<u>6,459</u>	<u>---</u>	<u>208,500</u>	<u>2,024,955</u>	<u>---</u>	<u>7,604,709</u>
\$ 279,716	\$ 63,511	\$ 2,819,023	\$ 2,024,955	\$ 10,043	\$ 8,160,107
<u>33,292,930</u>	<u>84,562</u>	<u>---</u>	<u>---</u>	<u>16,633,172</u>	<u>1,503,907</u>
<u>\$ 33,572,646</u>	<u>\$ 148,073</u>	<u>\$ 2,819,023</u>	<u>\$ 2,024,955</u>	<u>\$ 16,643,215</u>	<u>\$ 9,664,014</u>

NOTES TO BALANCE SHEET

JUNE 30, 1966

NOTE 1--USE OF TOTALS COLUMN:

In accordance with recommendations of the National Committee on Governmental Accounting, a "Totals" column is not used on the balance sheet published by the City of Oakland. "Total" amounts are used in this statement to allow ready reference to the supplemental data included in the independent auditors' annual report.

NOTE 2--CONTINGENT LIABILITY:

The United States Government has claimed an amount of \$2,063,000 against the Port of Oakland for facilities and improvements made by the Government on Port property formerly under lease. The Port is resisting the claim.

SUPPLEMENTARY DATA

The financial statements referred to in the foregoing opinion are set forth on pages 2 to 8, inclusive, of this report. Our examination was made primarily for the purpose of rendering an opinion on these basic financial statements, taken as a whole. The other data included in this report on pages A-1 to M-2, inclusive, although not considered necessary for a fair presentation of financial position and activities for the year, are presented primarily for supplemental analysis purposes. This additional information was obtained from the City of Oakland's accounting records and from other sources and was not examined in detail by us. Accordingly, our opinion does not extend to such data.

Where comparative data are shown in the following pages they were obtained from the prior year's report of other independent certified public accountants and are shown for supplemental analysis purposes only.

Hyland, Ross Bros. & Montgomery

December 27, 1966

AUDITOR-CONTROLLER

The Auditor-Controller, who is the ex-officio Assessor, is an elective official of the City of Oakland whose duties and responsibilities are described in Articles V and XVIII of the Charter of the City of Oakland.

In compliance with Sections 34 and 122 of the City Charter, the Auditor-Controller submits an annual report to the Mayor and the City Council. The Auditor-Controller's report contains statements which show the financial position of the City of Oakland at June 30, 1966 and the results of the year's financial transactions, presented in conformance with reporting standards set by the National Committee on Governmental Accounting and the Municipal Finance Officers Association of the United States and Canada. This report includes financial statements covering the various funds of the City arranged in groups and also combined all-funds statements summarizing the balance sheets, statements of revenue and statements of expenditures by function. We have summarized the combined all-funds analysis of changes in fund balances from more detailed data included in that report. The independent auditors' opinion, prepared in connection with our examination of these statements, contains our evaluation of the fairness of these statements.

On the following pages we present comments and schedules which we believe to be useful for supplemental analysis purposes.

COMMENTS ON BALANCE SHEET ITEMSCASH--\$27,839,732:

Cash at June 30, 1966 consisted of:

Treasurer's cash	\$ 29,586,112	
Less warrants outstanding	<u>1,746,380</u>	\$ <u>27,839,732</u>

Comments on the composition of the Treasurer's cash balance and of our examination procedures appear in Section B of this report.

IMPREST CASH--\$6,129:

The imprest cash is used for change funds in various departments. We verified several of these funds by count.

ACCOUNTS RECEIVABLE--\$5,692,001
ALLOWANCE FOR ESTIMATED LOSSES--\$198,935:

Accounts receivable totals, summarized by fund groups, are compared with balances outstanding at the end of the preceding year in greater detail as follows:

Fund	1966		1965	
	Details	Totals	Details	Totals
General Fund:				
Treasurer	\$ 232,071		\$ 53,787	
Municipal Buildings	27,636		37,226	
Police Department	14,193		10,872	
Elections	---		123,049	
Streets and Engineering Department	290,790		218,901	
Fire Department	6,349		6,571	
Department of Human Resources	802,768		273,226	
Electrical Department	103,490		77,537	
Traffic Engineering	8,488		1,240	
Other departments	<u>72,670</u>	\$ 1,558,455	<u>23,096</u>	\$ 825,505
Special Revenue Funds		777,325		1,213,429
Special Assessment Funds:				
Lighting Districts	\$ 41,932		\$ 34,689	
Street Improvement Districts	<u>1,758</u>	43,690	<u>3,424</u>	38,113
Bond Interest and Redemption Funds		26,009		---
Trust Funds:				
Police and Fire Retirement System	\$ 538,295		\$ 480,652	
Oakland Municipal Employees Retirement System	616,456		532,649	
Deposits	<u>111,917</u>	1,266,668	<u>3,770</u>	1,017,071
Agency Funds--Unapportioned taxes:				
Uncollected taxes, current year	\$ 521,393		\$ 488,082	
Uncollected taxes, prior years	<u>257,334</u>	778,727	<u>191,904</u>	679,986
Revolving and Working Capital Funds:				
Weed Abatements	\$ 62,468		\$ 31,031	
Equipment	22,012		18,090	
Miscellaneous	<u>8,169</u>	92,649	<u>13,272</u>	62,393
Public Service Enterprises:				
Port of Oakland	\$ 685,213		\$ 647,997	
Air Cushion Vehicle Demonstration	<u>463,265</u>	<u>1,148,478</u>	<u>731,500</u>	<u>1,379,497</u>
		<u>\$ 5,692,001</u>		<u>\$ 5,215,994</u>

We had commented in previous years on a continuing trend by various departments of the City of maintaining accounting records supplemental to those prepared by the Auditor-Controller. Our recent examination showed that a good many departments of the City continue to find it necessary to maintain detailed accounts receivable records. Various departments visited by us during October 1966 had not yet received an accounts receivable listing for June 30, 1966 from the City's data processing center and had therefore been unable to reconcile their records with the Auditor-Controller's figures. We made a review of the City's data processing program and our findings and recommendations are included on pages A-16 and 17 of this report.

The allowance for estimated losses of \$198,935 is based on reports submitted by the various departments as to accounts considered doubtful. The balances in the principal departments concerned are compared with balances for the prior year as follows:

	<u>1966</u>	<u>1965</u>
General Fund:		
Municipal buildings	\$ 2,571	\$ 975
Streets Department	24,910	24,175
Electrical Department	24,630	17,384
Other departments	<u>4,922</u>	<u>2,762</u>
	\$ 57,033	\$ 45,296
Port Department	99,765	93,982
Park Department	673	892
Sewer service charge	39,841	30,004
Other departments	<u>1,623</u>	<u>1,082</u>
Total allowance for estimated losses	<u>\$ 198,935</u>	<u>\$ 171,256</u>

We communicated on a test basis with approximately 120 persons named in accounts receivable records of nine different departments to verify the accuracy of balances due. The response to our confirmation requests supported aging analyses indicating that a number of old and apparently uncollectible accounts

are still carried, although some accounts had been turned over to the City Attorney for collection. The allowance for estimated losses appears to be adequate to provide for these accounts, but conservative accounting principles suggest that accounts be written off as soon as it becomes apparent that they will be uncollectible. As noted in previous years' reports, early and constant follow-up by the departments concerned and by the City Attorney's office should be instituted to prevent avoidable credit losses to the City.

INVESTMENTS--\$48,657,220:

All securities owned by the City of Oakland are in the custody of the Treasurer. Comments on our verification of these securities appear in that section of this report. Transactions in investments are summarized below:

<u>At Face Value</u>	<u>Balance July 1, 1965</u>	<u>Purchases</u>	<u>Sales</u>	<u>June 30, 1966</u>
Retirement Systems:				
Municipal Employees	\$ 27,270,082	\$ 3,069,765	\$ (4,000)	\$ 30,335,847
Police and Fire	14,823,000	2,063,000	(39,000)	16,847,000
General Fund	500,000	---	---	500,000
Other:				
Port, General	1,000,000	1,365,000	(1,265,000)	1,100,000
Air Cushion Vehicle Demonstration Project	80,000	203,000	(260,000)	23,000
Book Endowment Fund*	4,500	500	---	5,000
Snow Museum Fund*	8,400	---	---	8,400
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals at face value	\$ 43,685,982	\$ <u>6,701,265</u>	\$ <u>(1,568,000)</u>	\$ 48,819,247
Discounts net of premiums	(180,677)			(162,027)
Total carrying value--				
Page 2	\$ <u>43,505,305</u>			\$ <u>48,657,220</u>

*At cost

PREPAID EXPENSES AND DEFERRED CHARGES--\$2,474,638
RESERVE FOR DEFERRED CHARGES--\$1,030,432:

Stores inventories at June 30, 1966 included in the above are compared with inventories one year before as follows:

	<u>1966</u>	<u>1965</u>	<u>Increase (Decrease)</u>
General Fund:			
Traffic Engineering	\$ 53,533	\$ 37,254	\$ 16,279
Municipal Shops	7,291	9,814	(2,523)
Public Buildings	<u>5,485</u>	<u>5,208</u>	<u>277</u>
Total General Fund inventories	<u>\$ 66,309</u>	<u>\$ 52,276</u>	<u>\$ 14,033</u>
Special Revenue Funds:			
Recreation Department	\$ 21,067	\$ 25,449	\$ (4,382)
Park Department	14,444	23,362	(8,918)
Oakland Public Library	9,793	10,500	(707)
Port Department	<u>32,589</u>	<u>2,366</u>	<u>30,223</u>
Total Special Revenue Fund inventories	<u>\$ 77,893</u>	<u>\$ 61,677</u>	<u>\$ 16,216</u>
Revolving Funds--Central Stores	<u>\$ 284,991</u>	<u>\$ 261,346</u>	<u>\$ 23,645</u>
Total stores inventories	<u>\$ 429,193</u>	<u>\$ 375,299</u>	<u>\$ 53,894</u>

The inventories in the General and the Special Revenue Funds are based on physical counts made by employees of the respective departments on or about June 30, 1966 and are certified as correct by the department heads. The City's internal audit staff observed the physical counts and made test counts on a random basis.

The major portion of the remaining amounts included in the prepaid expenses classification relates to operations and bond obligations of the Off-Street Parking Commission and the Port Department, on which separate audit reports are being submitted.

Assets represented in this section are fully offset by a reserve, except those relating to the Port Department.

DUE FROM OTHER FUNDS--\$12,444,282

DUE TO OTHER FUNDS--\$12,444,282:

The details of these amounts by fund groups are shown on pages 2 and 3. Pages 4 and 5 list the amounts of cash transfers for these same groups.

FIXED ASSETS--\$197,659,625

INVESTMENT IN FIXED ASSETS--\$183,693,328

ALLOWANCE FOR DEPRECIATION--FIXED ASSETS--\$13,391,711:

An analysis of the fixed asset accounts shows their distribution into major types of assets as follows:

<u>Description</u>	<u>Totals</u>	<u>Fixed Assets Fund</u>	<u>Bond Funds</u>	<u>Public Service Enterprise Fund</u>
Land	\$ 44,283,478	\$ 26,558,959	\$ 3,002,089	\$ 14,722,430
Buildings, structures and improvements	119,861,700	73,207,708	453,353	46,200,639
Equipment	8,084,662	7,054,394	---	1,030,268
Work in process	<u>25,429,785</u>	<u>22,976,114</u>	<u>393,136</u>	<u>2,060,535</u>
	<u>\$ 197,659,625</u>	<u>\$ 129,797,175</u>	<u>\$ 3,848,578</u>	<u>\$ 64,013,872</u>

Transactions during the fiscal year by the same major types of fixed assets are summarized below:

<u>Description</u>	<u>Balance July 1, 1965</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 1966</u>
Land	\$ 43,610,108	\$ 973,957	\$ 300,587	\$ 44,283,478
Buildings, structures and improvements	115,945,624	3,916,568	492	119,861,700
Equipment	7,817,470	611,464	344,272	8,084,662
Work in process-- net change	<u>19,124,663</u>	<u>6,305,122</u>	<u>---</u>	<u>25,429,785</u>
	<u>\$ 186,497,865</u>	<u>\$ 11,807,111</u>	<u>\$ 645,351</u>	<u>\$ 197,659,625</u>

The third paragraph of our independent accountants' opinion describes the basis on which land, buildings, structures and improvements are stated, together with our comment on suggested improvements in the recording of assets and identification of costs represented in these accounts.

We made extensive tests of invoices and other documentary evidence in support of selected items of capital outlay. In connection with sales of land, we examined

copies of ordinances in the City Clerk's office authorizing sales and sales prices.

We then traced that information to various records maintained by the Auditor-Controller.

The reserve for depreciation represents the accumulation of depreciation charges by the Port Department only.

ACCOUNTS, NOTES AND JUDGMENTS DUE--\$4,721,041:

Balances due on June 30, 1966 under this liability classification are analyzed according to funds or major fund groups and are compared with like balances due at June 30, 1965 in the following summary:

	Invoices and Expense Encumbrances Payable		Payrolls Payable	
	1966	1965	1966	1965
<u>General Fund</u>	\$ 1,155,051	\$ 881,684	\$ 774,262	\$ 853,550
<u>Special Revenue Funds:</u>				
Park	17,237	19,189	59,813	54,574
Recreation	32,658	121,288	148,492	130,379
Library	20,858	23,255	65,686	60,900
Museums	6,943	22,897	13,532	12,457
Community Redevelopment	41,088	---	---	---
Other	4,824	1,427	995	695
Subvention and Grant Funds	122,455	51,237	2,106	---
<u>Revolving and Working Capital Funds</u>	88,220	111,362	160,000	---
<u>Bond Capital Funds:</u>				
Public Museum	86,961	214,495	---	---
Off-Street Parking	8,703	122,155	---	---
Hall of Justice	---	3,740	---	---
Street Lighting	---	8,221	---	---
<u>Bond Interest and Redemption Funds</u>	297,248	408,281	---	---
<u>Lighting District Funds</u>	6,817	---	---	---
<u>Trust and Agency Funds:</u>				
Police and Fire Retirement	2,625	5,509	262,239	244,858
Municipal Employees Retirement	1,013	9,651	98,788	90,587
Human Resources	68,549	74,931	---	---
Other	54	131	---	---
<u>Public Service Enterprise Fund:</u>				
Port Revenue Fund	996,890	248,876	89,407	75,280
Air Cushion Vehicle				
Demonstration Project	55,642	28,392	---	---
Golf Course Construction	31,035	---	---	---
Others	850	850	---	---
	<u>\$ 3,045,721</u>	<u>\$ 2,357,571</u>	<u>\$ 1,675,320</u>	<u>\$ 1,523,280</u>

RESERVE FOR ENCUMBRANCES--\$14,185,406:

This amount is the total of purchase orders issued and approved for which the material had not been received or the service not rendered as of June 30, 1966. The Auditor-Controller's office prepares periodic reports showing the "Condition of Appropriations" of each department, including full details of encumbered balances. We examined these reports as of June 30, 1966 and made tests to satisfy ourselves as to the accuracy of supporting records and documents.

BONDED DEBT NOT MATURED--\$31,983,000UNMATURED BONDED INDEBTEDNESS--\$24,613,000:

The detail by bond issue is tabulated below:

<u>Issue</u>	<u>Amount Authorized</u>	<u>Amount Sold</u>	<u>Balance Not Matured July 1, 1965</u>	<u>Matured During 1965-66</u>	<u>Balance Not Matured June 30, 1966</u>
1925 Harbor Improvements	\$ 9,960,000	\$ 9,784,000	\$ 498,000	\$ 249,000	\$ 249,000
1945 Municipal Improvements	15,754,000	15,754,000	7,654,000	405,000	7,249,000
1955 Airport Improvements	10,000,000	10,000,000	6,150,000	470,000	5,680,000
1959 Municipal Improvements	3,064,000	3,064,000	2,340,000	120,000	2,220,000
1961 Museum Bonds	<u>6,000,000</u>	<u>6,000,000</u>	<u>5,280,000</u>	<u>240,000</u>	<u>5,040,000</u>
Total general obligation bonds	\$ 44,778,000	\$ 44,602,000	\$ 21,922,000	\$ 1,484,000	\$ 20,438,000
1964 Off-Street Parking	4,500,000	4,500,000	4,395,000	220,000	4,175,000
1957 Port Revenue	<u>8,000,000</u>	<u>8,000,000</u>	<u>6,880,000</u>	<u>310,000</u>	<u>6,570,000</u>
	<u>\$ 57,278,000</u>	<u>\$ 57,102,000</u>	<u>\$ 33,197,000</u>	<u>\$ 2,014,000</u>	<u>\$ 31,183,000</u>
Certificiates of indebtedness--Port					<u>800,000</u>
					<u>\$ 31,983,000</u>

The general obligation bond balance of \$20,438,000 represents a future liability of the City. The various series of the 1957 Port Revenue issue are

redeemable out of specified revenues of the Port of Oakland. The \$4,500,000 Off-Street Parking Revenue bonds do not represent a general liability of the City of Oakland. The financial statements of the City of Oakland Off-Street Parking as of June 30, 1966 were examined by us and are being reported on separately.

The unmatured bonded indebtedness account represents estimated future revenues needed for bond redemption. It does not include the 1957 Port Revenue bonds and is reconciled to the schedule on the preceding page as follows:

Bonded debt not matured	\$ 31,183,000
1957 Port Revenue bonds,	
balance at June 30, 1966	<u>6,570,000</u>
Unmatured bonded indebtedness	<u>\$ 24,613,000</u>

COMMENTS ON CHANGES IN FUND BALANCESREVENUES--\$55,891,949:

The Analysis of Changes in Fund Balances shows a distribution of various revenue and expenditure transactions by fund groups.

The following analysis compares revenues by major classes regardless of fund classifications, as they were received during the two most recent fiscal years:

	<u>1966</u>	<u>1965</u>	<u>Increase</u>
General property taxes	\$ 22,899,375	\$ 21,954,245	\$ 945,130
Other taxes	8,843,373	8,216,886	626,487
Licenses, permits and parking meters	2,460,950	2,440,117	20,833
Fines, forfeitures, penalties and rents	1,888,065	1,788,745	99,320
Service charges	2,242,593	2,179,512	63,081
From other agencies	8,579,200	8,051,244	527,956
Public service enterprises and miscellaneous	7,627,262	4,387,004	3,240,258
Use of money and property	<u>1,351,131</u>	<u>1,084,650</u>	<u>266,481</u>
Total revenues	<u>\$ 55,891,949</u>	<u>\$ 50,102,403</u>	<u>\$ 5,789,546</u>

We tested the records in support of the revenues shown above by direct correspondence with the State of California and the County of Alameda and by verification of the information reported to the City Treasurer, Auditor-Controller and Street Department.

EXPENDITURES--\$56,739,351:

The City's expenditures are stated according to major functions regardless of fund classifications, and compared with like expenditures during the preceding year as follows:

	<u>1966</u>	<u>1965</u>	<u>Increase (Decrease)</u>
General government	\$ 4,275,457	\$ 5,065,344	\$(789,887)
Public safety	16,831,736	16,397,201	434,535
Highways	5,894,677	4,747,725	1,146,952
Sanitation and waste removal	2,113,241	2,704,726	(591,485)
Conservation of health	14,061	17,534	(3,473)
Schools, libraries and recreation	10,384,681	8,056,479	2,328,202
Public service enterprises and miscellaneous	14,690,098	11,607,983	3,082,115
Interest and borrowing	<u>2,535,400</u>	<u>2,395,254</u>	<u>140,146</u>
Total expenditures	\$ <u>56,739,351</u>	\$ <u>50,992,246</u>	\$ <u>5,747,105</u>

The propriety of these expenditures was tested by reference to ordinances and resolutions, purchase orders and purchase order requests, vendors' invoices, voucher copies of warrants and cancelled warrants, invoice registers, warrant registers and tabulations of records prepared for these expenditures. We reviewed the systems in use for the authorization of disbursements by the City, the issuance of warrants and the recording of these documents. Comments on some of the current difficulties encountered by the City in processing this information are included in our section "Review of Electronic Data Processing Program" on pages A-16 and 17 of this report.

COMPARISON OF REVENUE AND EXPENDITURES WITH BUDGET

Actual revenues (including revenue transfers) of the City of Oakland exceeded estimated revenues for the year ended June 30, 1966 by \$3,874,465, as shown in the following schedule:

	<u>Estimated Revenue</u>	<u>Actual Revenue</u>	<u>Excess</u>
Budgetary Funds:			
General Fund	\$ 31,654,916	\$ 33,451,975	\$ 1,797,059
Special Revenue Funds	12,179,157	14,226,151	2,046,994
Bond Redemption and Interest Funds	<u>1,900,256</u>	<u>1,930,668</u>	<u>30,412</u>
Total Budgetary Funds	<u>\$ 45,734,329</u>	<u>\$ 49,608,794</u>	<u>\$ 3,874,465</u>
Nonbudgetary Funds		59,601,687	
Unapportioned revenue		<u>72,548</u>	
Total revenue		<u>\$ 109,283,029</u>	

Expenditures and encumbrances are compared with appropriations as follows:

	<u>Adjusted Appropriations</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
Budgetary Funds:				
General Fund	\$ 36,974,104	\$ 32,685,969	\$ 1,845,542	\$ 2,442,593
Special Revenue Funds	19,546,056	11,768,084	8,189,413	(411,441)
Bond Redemption and Interest Funds	<u>2,024,956</u>	<u>2,024,955</u>	<u>---</u>	<u>1</u>
Total Budgetary Funds	<u>\$ 58,545,116</u>	<u>\$ 46,479,008</u>	<u>\$ 10,034,955</u>	<u>\$ 2,031,153</u>
Nonbudgetary Funds	<u>\$ 33,587,816</u>	24,941,407	4,150,451	4,495,958
Reimbursements and Revolving Expenditures		<u>37,905,564</u>	<u>---</u>	<u>---</u>
		<u>\$ 109,325,979</u>	<u>\$ 14,185,406</u>	<u>\$ 6,527,111</u>

Our examination included a review of the basic appropriation ordinance passed by the City Council authorizing these expenditures, and of subsequent authorizations of appropriation transfers. The Auditor-Controller prepares periodic reports showing classification of expenditures made. We made tests to determine that the information contained in these reports agreed with City Council's ordinances and other authorizations of expenditures made by the City.

GENERAL COMMENTS AND RECOMMENDATIONSInternal Auditing:

The internal audit division of the Auditor-Controller's office is responsible for reviewing procedures and operations of the various departments of the City and is an important factor in the effective management of the City's affairs.

In order to be most effective in serving as a tool of management, a formal program of responsibilities and priorities for scheduling the work of the division should be adopted. Proper emphasis should be given to areas involving financial activities of significant amounts as well as those areas in which internal controls are believed to be weak or lacking.

Departures from this formal program should be kept to a minimum. The Auditor-Controller, as the City official directly responsible for the effective functioning of the internal audit activity, should exert every reasonable effort to use this division's staff in those areas of auditing most significant to managing the City's affairs. He should resist any attempts to use the internal auditors as a readily available pool of manpower to perform bookkeeping, accounting and other administrative functions which are not a primary responsibility of the internal audit division, as defined in their formal program.

As an example of this trend, internal auditors were assigned some time ago certain accounting responsibilities. These include reviews and reconciliations of some of the output of the EDP division, an accounting function, and the processing of documents in support of expenditures under the Federal Anti-Poverty Program, a bookkeeping function.

Financial Stationery:

An examination was made on a test basis of financial stationery procedures in many of the City's departments. We satisfied ourselves that these departments were in compliance with the procedures set forth by the Auditor-Controller in his memorandum of July 18, 1960. We also examined supporting records and documents in the Auditor-Controller's office.

Accounts Receivable:

Our recommendations for improvement in the receivable collection and follow-up procedures are included on pages A-4 and 5 of this report.

Fixed Assets:

The third paragraph of our independent accountants' opinion describes the basis on which land, buildings, structures and improvements are recorded. The California Committee on Municipal Accounting, in cooperation with the County Auditors Association of California, recommends that an inventory of fixed assets be taken and that, where historical costs cannot readily be ascertained, the fair market value at the date of recordation be used to adjust book accounts to the actual inventory. We concur with this recommendation. Identification of the costs of specific assets is also required for the proper recording of asset transfers, abandonments and dispositions.

REVIEW OF ELECTRONIC DATA PROCESSING PROGRAM

In conjunction with our examination of the financial statements of the City, we made a brief review of the accounting procedures and the computer operations in the Auditor-Controller's office to determine how adequate they are.

We found several problem areas existing, particularly in the accounting division, that require attention and corrective action to improve operating efficiency. Principal problems encountered were:

- . Accounting entries, rejected by computer processing because of improper coding, make it difficult for the accounting department to reconcile various registers with applicable account distribution statements. The time required to be spent on reconciling these records is excessive.
- . Manual preparation of warrants is too slow to permit timely payment of claims. This is primarily due to insufficient bookkeeping machine productivity caused largely by personnel turnover during the past year.
- . The pre-audit division, verifying and coding input documents for computer processing, has fallen behind in its work during the past several months. This is mostly because (1) various departments within the City have not corrected coding errors for which they are responsible as promptly and as correctly as expected by the accounting department, and (2) a high rate of turnover in personnel of the audit division.
- . Delays have occurred in completing computer programs to account for appropriations. These delays are principally attributed to turnover in programming personnel, combined with a shortage of experienced programmers in the general labor market.

As a consequence of some of the problems described above, the accounting division has fallen further behind with this year-end closing than in previous years. This delay, in turn, creates new problems in maintaining efficient accounting procedures because beginning balances cannot be included in current financial statements until the prior year's closing has been completed.

Based upon our limited review, we believe that many of the problems described above could be solved by some of the following corrective actions:

- . Set up a control function within the accounting department. This should insure that all documents submitted to the computer division are processed properly and that any rejected transactions are corrected on a timely basis. Proper controls will allow explanations of differences, if any, between various registers and the related distribution statements.
- . Improve the present controls (maintained by the computer division) of transactions rejected by the computer to insure that corrections of rejected transactions are handled properly.
- . Develop and maintain progress control reporting on computer development work to keep responsible City officials better informed as to progress. Such controls will allow management to plan future operations more effectively.
- . Establish a program for instructing the accounting staff and employees of other departments serviced by the computer in basic computer concepts and techniques. When employees of all departments serviced by the computer understand what the equipment can or cannot do for them, they will avoid misunderstandings about computer operations which often contribute to inefficient operating procedures.

The problems and corrective actions summarized above are dealt with in greater detail in a separate memorandum to be submitted to the Auditor-Controller.

TREASURER

The Treasurer (and ex-officio Tax Collector) is an appointive official of the City. He performs his functions through the use of various divisions, including the Treasurer's office proper, the Bureau of Permits and Licenses, the Street Improvement Bond Department, and the Sewer Service Charge division.

CASH AND SECURITIES:

In accordance with the provisions of Section 30(3) of the City Charter, the Treasurer receives and disburses all money belonging to the City of Oakland and to certain special trust funds. As spelled out in that Section of the Charter, he keeps accounting control over these transactions and records them in a manner which allows the Auditor-Controller to maintain independent internal control over the Treasurer's activities. Cash balances recorded independently by both the Treasurer and the Auditor-Controller are reconciled and reported monthly. We examined the reconciliation and its supporting data as of June 30, 1966.

At the end of the current fiscal year we counted cash and securities under the control of the Treasurer, and we also made a second count of cash subsequent to the year end. The counts were made on the dates indicated below and the following amounts were found in the Treasury:

	July 1, 1966	July 5, 1966
Cash in banks	\$ 29,457,615	\$ 28,891,200
Deposits in transit	98,734	386,290
Cashier's funds on hand	29,113	51,246
Imprest cash funds	650	650
Total Treasurer's cash	<u>\$ 29,586,112</u>	<u>\$ 29,329,386</u>

The amounts on each of the above dates represent the cash balances on hand at the end of the preceding business day. In connection with each count, we were present at the closing of the vault by time lock at the close of business on the preceding business day to satisfy ourselves that the items on hand at the end of that day would not be tampered with.

At each of the above dates we checked the results of our count to detailed controls maintained independently by the Auditor-Controller, and verified all bank balances by direct correspondence. The provisions of Section 30(3) of the Charter of the City of Oakland, as amended on April 16, 1957, allow for a "weekly balance in the vaults of the Treasury (not to) exceed the sum of Fifty Thousand Dollars (\$50,000.00)." On the date of our second cash count, as shown on the preceding page, this limit was exceeded by \$1,246. City officials believe that this charter provision means "average" weekly balance, and until the charter provision is clarified, we concur with their interpretation.

In accordance with State of California statutes, each bank holding deposits of public money is required to deposit with the Treasurer of that governmental body securities with market values of at least 110% of that organization's deposits with the bank. All banks concerned have deposited such securities with other banks in safekeeping for the City Treasurer. We reconciled signed pledge agreements in the Treasurer's files to the security records,

and verified the deposited securities by direct correspondence with the trustee banks. Total deposits in banks as of June 30, 1966 are compared with face values of securities pledged as follows:

Name of Bank	Amount of City Funds Deposited		Face Value of Securities	Per Cent of Face Value to Total Deposits
	<u>Details</u>	<u>Totals</u>		
Bank of America, Oakland Main Office:				
Active accounts	\$ 1,457,615			
Inactive accounts	<u>8,500,000</u>			
Totals		\$ 9,957,615	\$ 12,324,000	123.8%
United California Bank, Oakland Main Office		2,150,000	2,700,000	125.6
First National Bank of Oakland		500,000	875,000	175.0
First Western Bank and Trust		750,000	900,000	120.0
Sumitomo Bank of California		500,000	590,000	118.0
Oakland Bank of Commerce		2,500,000	3,680,000	147.2
Crocker-Citizens National Bank: 13th and Franklin Office	\$ 2,600,000			
Oakland Main Office	<u>1,500,000</u>			
Totals		4,100,000	5,246,000	128.0
Bank of California, N. A.		2,000,000	2,800,000	140.0
Wells Fargo Bank		4,500,000	6,000,000	133.3
Central Valley National Bank: Oakland Main Office	\$ 1,250,000			
22nd and Broadway Office	<u>1,250,000</u>	<u>2,500,000</u>	<u>2,884,000</u>	115.3
		<u>\$ 29,457,615</u>	<u>\$ 37,999,000</u>	

The City maintains one active bank account with the Oakland Main Office, Bank of America. All other bank accounts are inactive accounts, requiring 90 or 180 days' notice before withdrawal of funds, and earning interest as follows:

At the rate of 4-7/8% annually	\$ 14,350,000
At the rate of 4-3/4% annually	6,350,000
At the rate of 4-5/8% annually	<u>7,300,000</u>
Total inactive accounts	\$ 28,000,000
Active account	<u>1,457,615</u>
Total cash in banks, June 30, 1966	<u>\$ 29,457,615</u>

The total amounts in the inactive accounts are presently earning an overall interest rate of 4.79%, as compared with 4.19% at June 30, 1965. The increase reflects the high level of interest rates paid currently by banks of this area. We previously recommended a review of the overall investment program of the City with the possibility of investing temporarily idle cash funds in securities with interest rates higher than those currently being offered by the banks. No action along these lines has been taken as of this time.

Most securities belonging to the City are kept in the Treasurer's vault; a few are held for safekeeping at other locations. Securities in the vault were counted by us as of the last day of the fiscal year; banks confirmed that they were holding the remainder. We also participated in, but did not control, a second subsequent count of securities performed by personnel of the Auditor-Controller as of July 31, 1966, the retirement date of the former City Treasurer. The face amount of securities held at June 30, 1966 is summarized as follows:

	<u>Total*</u>	<u>In Treasurer's Vault</u>	<u>Other Locations</u>
General Fund	\$ 500,000	\$ 500,000	\$ ---
Oakland Municipal Employees Retirement System	30,335,847	30,268,347	67,500
Police and Fire Retirement System	16,847,000	16,847,000	---
Board of Library Directors	5,000	5,000	---
Snow Museum Building Fund	8,400	8,400	---
Port Department	1,100,000	---	1,100,000
Air Cushion Vehicle Demonstration	23,000	---	23,000
	<u>\$ 48,819,247</u>	<u>\$ 47,628,747</u>	<u>\$ 1,190,500</u>
Less discounts, premiums and accrued interest purchased	<u>(162,027)</u>		
	<u>\$ 48,657,220</u>		

*Bonds at par value, stocks at cost

We previously noted the ever-increasing burden on the Treasurer of keeping in custody the securities of the two retirement systems. The amount of these securities continues to increase rapidly both as to the face value of the investments and the actual quantity of security certificates involved. We recommend once again that custodial arrangements with a local bank should be investigated, so that these securities may be physically removed from their present location at City Hall.

The Treasurer receives property taxes, collected for the City by the County of Alameda, and certain other revenue. Amounts received by the Treasurer during the year ended June 30, 1966 for certain major revenue classes are compared with like amounts for the prior year as follows:

	<u>1966</u>	<u>1965</u>	<u>Better (Worse)</u>
Property taxes:			
Current year's taxes:			
Secured property taxes	\$ 19,108,801	\$ 18,609,957	\$ 498,844
Unsecured property taxes	3,052,538	2,661,442	391,096
Penalties and interest	31,728	26,633	5,095
Solvent credits--unsecured	62,112	49,704	12,408
Aircraft "in lieu" taxes	25,054	26,077	(1,023)
Prior years' taxes:			
Secured property taxes	439,724	369,184	70,540
Unsecured property taxes	42,755	39,129	3,626
Penalties and interest	<u>64,103</u>	<u>52,953</u>	<u>11,150</u>
Total property taxes	\$ 22,826,815	\$ 21,835,079	\$ 991,736
Sales tax	8,283,361	7,868,796	414,565
Traffic fines	533,863	526,026	7,837
Interest on bank deposits	450,121	603,969	(153,848)
Motor vehicle license fees	2,415,018	2,301,641	113,377
Alcoholic beverage tax	376,098	361,780	14,318
Federal housing "in lieu" taxes	<u>72,173</u>	<u>45,469</u>	<u>26,704</u>
	\$ <u>34,957,449</u>	\$ <u>33,542,760</u>	\$ <u>1,414,689</u>

BUREAU OF PERMITS AND LICENSES:

The Treasurer's Bureau of Permits and Licenses controls the issuance of many types of business, manufacturing and professional licenses, of bicycle and dog licenses and of various permits, and it receives fees collected for the issuance of permits for buildings and other types of construction.

We tested rates charged for licenses and permits in the various classifications by reference to published rate tables and affidavits filed by the licensees. We noted that there has been no change in licensing rates in almost ten years. Collection methods for license fees and methods of determining that persons subject to licensing are actually licensed were reviewed and are the subject of a recommendation below. We tested collection records maintained in the Bureau of Permits and Licenses, tested records issued to and maintained by the inspectors employed by the Bureau, and traced information shown in all of these records to the cashiers' division of the Treasurer's office and the Auditor-Controller's office.

Deposits collected from persons engaged in sidewalk, excavation and electrical work are also accounted for by this Division. Detailed depositors' records are reconciled monthly to a control account. We tested records of receipts issued to depositor cards and confirmed by direct correspondence the balances of a selected group of depositors' accounts. No exceptions were reported to us.

Present procedures in effect do not provide for any verification of a licensee's liability where this liability is based on the gross receipts of his business. We recommend that procedures be established, within the framework of existing ordinances, to institute a program of verification of licensee's records, accounts, and other data on which they base the information furnished the City Treasurer in their license declarations.

The Bureau also administers the Transient Occupancy Tax imposed upon occupants of hotels, etc. Returns under this tax are presently accepted by the Bureau as filed by the operator. However, we understand that procedures are being established to examine operators' records in support of these returns on a test basis.

STREET IMPROVEMENT BOND DEPARTMENT:

This division of the Treasurer's office acts as agent for the bondholders of certain street improvement bonds issued under the 1911 and 1913 Acts of the California Legislature. Under the terms of these acts, the City is not obligated to pay off a bond when a property holder fails to meet his obligation. Accordingly, the Treasurer's duty is restricted to accepting payments of principal and interest from the property holders and turning over any payments so received to the bondholders upon presentation of the proper coupons.

Since the start of the program, 1180 series of bonds have been issued. The holders of a majority of the bonds issued have received payment for their bonds and coupons; payment is pending on a large number of the more recent bond issues, as follows:

Series 1 to 1139	\$ 232
Series 1140 to 1180	<u>33,137</u>
Total amount unclaimed by bondholders	<u>\$ 33,369</u>

We tested transactions recorded by the Department during the year and detailed records of amounts unclaimed at June 30, 1966. Because the Treasurer acts as agent for the bondholders and because holders of the bonds are not required to notify him of changes in ownership or address, it is not practicable to confirm these amounts by direct correspondence.

BUILDING DEPARTMENT

Section 51(11) of the Charter of the City of Oakland charges the City Council with the regulation of all construction and building activity in the City. The Building Department, under the Building Inspector, uses a field staff to verify compliance with the terms of all permits issued for general construction, for alterations, remodeling or repairs to existing structures, for the erection of signs, and for the wrecking or moving of buildings.

Fees for the performance of inspection and other services are charged in accordance with published fee schedules. We made tests to determine that fees during the year under review were based on currently prescribed schedules. Collections made were traced to records maintained in the Auditor-Controller's office and to the record of their deposit with the Treasurer. In accordance with the provisions of Section 122 of the City Charter, the Auditor-Controller prescribes the use and maintains control of all documents concerned with the collection, disbursement and transfer of funds. During our examination we satisfied ourselves that the Building Department complied with the procedures as set forth by the Auditor-Controller in his memorandum of July 18, 1960.

We examined payroll data of the Building Department on a test basis. Our procedures included reference to records maintained in this Department and the offices of the Civil Service Board, Retirement Systems and the Auditor-Controller. We were satisfied as to the propriety and accuracy of all transactions covered by our test.

We reviewed the system of internal control in effect and tested departmental records to verify their compliance with this system. No exceptions were noted during our examination.

CITY CLERK

The City Clerk, an appointive official, is charged with the following duties:

- (a) Keeping of the minute books of the City Council, together with files of ordinances and resolutions passed.
- (b) Receiving payments and affidavits in support of amounts payable on franchises granted by the City.
- (c) Preparing and validating copies of official documents and collecting fees therefor.
- (d) Keeping on file insurance policies, official bonds and copies of the oaths of office of officers of the City.
- (e) Keeping of records and reports on City elections.
- (f) Accepting and returning cash deposits or bonds on bids and contracts.
- (g) Maintaining files on deeds, agreements and other contractual matters for the City of Oakland and its special assessment districts.

As to service charges made for the performance of some of these functions, we reviewed the system of their internal control, made test checks to verify the proper operation of the system, traced the deposit of these fees to the Treasurer's records and their recording to the Auditor-Controller's records.

As to cash deposits or bonds submitted on contract bids, we reviewed procedures of recording their receipt, custody, and methods of returning them to bidders. We compared the checks and bonds on hand in the City Clerk's office on the date of our examination with the records maintained, and tested the accuracy of these records by reference to the resolutions of the City Council.

We tested transactions in the Clerk's private trust fund and reconciled its balance to the Auditor-Controller's records.

As to franchise agreements with various public utility firms, we reviewed the franchise agreements in effect, as well as the affidavits filed with franchise payments made during the year, and we traced deposit of the payments to the Treasurer's records. Payments received during the year under review included:

Pacific Gas & Electric Co.,--Electricity	\$ 180,670
--Gas	158,892
Shell Oil Company	4,792
Atchison, Topeka & Santa Fe Railway	3,802
Western Pacific Railroad	7,076
Oakland Terminal Railway	<u>1,811</u>
	<u>\$ 357,043</u>

All of these franchise agreements have provisions authorizing inspection of the licensee's books and records by an official of the City. Such inspections should be made on a regularly scheduled basis by the internal audit division of the Auditor-Controller's office.

We inspected official bonds of certain officials of the City, and verified that the amounts of these bonds were in accordance with the provisions of Section 17 of the Charter of the City of Oakland. The City Clerk is covered by the City Employees' Blanket Bond.

Section 18 of the Charter requires every officer of the City to take an oath of office. These oaths were on file.

FIRE DEPARTMENT

In accordance with the provisions of Section 122 of the City Charter, the Auditor-Controller prescribes the use and maintains control of all documents concerned with the collection, disbursement and transfer of funds. During our examination we satisfied ourselves that the Fire Department complied with the procedures as set forth by the Auditor-Controller in his memorandum of July 18, 1960.

We examined payroll data of the Fire Department on a test basis. Our procedures included reference to records maintained in this Department and the offices of the Civil Service Board, Retirement Systems and the Auditor-Controller. We were satisfied as to the propriety and accuracy of all transactions covered by our test.

We communicated on a test basis with a limited number of persons shown in the accounts receivable records. Any exceptions reported were explained to our satisfaction. We also noted a number of overdue accounts. We recommend that (1) regular collection procedures should be put in effect as soon as any account becomes overdue; and (2) steps should be taken to write off any accounts that are clearly found to be uncollectible.

MUNICIPAL BUILDINGS DEPARTMENT

The Municipal Buildings Department is responsible for maintaining records of public buildings owned by the City of Oakland. It also handles receipts for rental of the Auditorium, the Auditorium Theatre, Exposition Building and other entertainment facilities.

We communicated on a test basis with a limited number of persons shown in the accounts receivable records. Any exceptions reported were explained to our satisfaction. We also noted a number of long overdue accounts. We recommend that (1) regular collection procedures should be put in effect as soon as any account becomes overdue; and (2) steps should be taken to write off any accounts that are clearly found to be uncollectible.

In accordance with the provisions of Section 122 of the City Charter, the Auditor-Controller prescribes the use and maintains control of all documents concerned with the collection, disbursement and transfer of funds. During our examination we satisfied ourselves that the Municipal Buildings Department complied with the procedures as set forth by the Auditor-Controller in his memorandum of July 18, 1960.

We examined payroll data of the Municipal Buildings Department on a test basis. Our procedures included reference to records maintained in this Department and the offices of the Civil Service Board, Retirement Systems and the Auditor-Controller. We were satisfied as to the propriety and accuracy of all transactions covered by our test.

POLICE DEPARTMENT

We examined payroll data of the Police Department on a test basis. Our procedures included reference to records maintained in this Department and the offices of the Civil Service Board, Retirement Systems and the Auditor-Controller. We were satisfied as to the propriety and accuracy of all transactions covered by our test.

We communicated on a test basis with a limited number of persons shown in the accounts receivable records. None responded to our inquiries. However, we noted a number of overdue accounts. We recommend that (1) regular collection procedures should be put in effect as soon as any account becomes overdue; and (2) steps should be taken to write off any accounts that are clearly found to be uncollectible.

In accordance with the provisions of Section 122 of the City Charter, the Auditor-Controller prescribes the use and maintains control of all documents concerned with the collection, disbursement and transfer of funds. During our examination we satisfied ourselves that the Police Department complied with the procedures as set forth by the Auditor-Controller in his memorandum of July 18, 1960.

RETIREMENT SYSTEMS

Employees of the City of Oakland are covered by one of two retirement systems:

- a. The Oakland Municipal Employees Retirement System, or
- b. The Police and Fire Retirement System.

Contributions to these retirement systems are made under the applicable provisions of the Charter of the City of Oakland by both employees and the City.

Both systems maintain individual record cards for all employed members and for all members receiving benefits. On a test basis, we compared contributions by members and payments made to members or their beneficiaries with records maintained by the Auditor-Controller. Selected payments made by the systems were traced to authorizations by the Retirement Boards as to effective dates and amounts. Receipts of payments by the proper payees were verified by test-comparison of endorsements on cancelled warrants with signature files. We tested computations of interest allowed members and the arithmetical accuracy of balances shown on members' cards. Our tests disclosed no errors.

The Retirement Boards review rates and contributions at periodic intervals and decide on any necessary changes. The rates and experience tables are submitted by an actuary. The latest such reports covered the period to June 30, 1965. In conjunction with our tests of payroll made in various departments, we satisfied ourselves that the employee contributions were in agreement with rates adopted by each system.

The Charter of the City of Oakland provides that a board may invest each system's funds in securities legal for investment by savings banks in the State of California. It further entrusts these securities to the custody of the City Treasurer. Our comments in Section B of this report contain, once again, our comments on the ever-increasing problems arising from his custodial duties for these securities.

At the occasion of our cash count of the City Treasurer's funds as of June 30, 1966, we examined all securities held by him for the two retirement systems. All current coupons had been removed from the securities, and the total face amount of securities on deposit agreed with independent records maintained by the Auditor-Controller and by each retirement system.

Each system is administered by a board as provided for in the City Charter. Section 96(5) of the Charter requires the Police and Fire Retirement System's Board to meet at least once each quarter. No specific requirement as to board meetings is contained in the Charter as to the Municipal Employees Retirement System's Board. We reviewed the minutes of the boards' meetings and traced the recording of certain actions into the account records of the systems.

STREETS AND ENGINEERING DEPARTMENT

This Department is charged with the responsibility of maintaining, designing and constructing all streets, sewers, sidewalks and related structures within the City. It regulates refuse and garbage collections, certain excavations, weed disposition and abatements and the construction and maintenance of street lights in special assessment districts. In addition, the Department maintains most of the City's motor vehicles through operation of its Municipal Shops Division at the Corporation Yard.

The Department receives and causes disbursement of many apportionments of State and County funds. It renders services of the types outlined above and collects inspection fees, charges and reimbursements for these services. In accordance with the provisions of Section 122 of the City Charter, the Auditor-Controller prescribes the use and maintains control of all documents concerned with the collection, disbursement and transfer of funds. During our examination we satisfied ourselves that the Street Department complied with the procedures as set forth by the Auditor-Controller in his memorandum of July 18, 1960.

Our examination of this Department included a surprise count of the cash change funds on hand, an examination of the trust fund both as to testing transactions and reviewing the reconciliation of the account to the Auditor-Controller's records, and a test of collections made to their proper recording. We confirmed by direct correspondence with the State Controller's office the amounts of state apportionments received and their allocation to the funds prescribed by law.

We also communicated on a test basis with a limited number of other persons shown in the accounts receivable records. No exceptions were reported to us. However, we noted a number of long overdue accounts. We recommend that (1) regular collection procedures should be put in effect as soon as any account becomes overdue; and (2) steps should be taken to write off any accounts that are clearly found to be uncollectible.

We examined payroll data of the Street Department on a test basis. Our procedures included reference to records maintained in this Department and the offices of the Civil Service Board, Retirement Systems and the Auditor-Controller. We were satisfied as to the propriety and accuracy of all transactions covered by our test.

OAKLAND FREE LIBRARY

The City of Oakland operates a system of free public libraries and museums consisting of a main library, 19 branch libraries and four stations. Oakland residents pay no fees for the use of these facilities; non-residents are required to pay a nominal, annual fee for the use of the libraries. Fines are assessed against borrowers for failure to return books on the due dates and for lost books. Collection of these fines is made at the various branches of the system.

We made tests of transactions recorded at the administrative offices, reviewed balances in the various trust accounts, and traced these transactions and balances to the records of the Auditor-Controller. In accordance with the provisions of Section 122 of the City Charter, the Auditor-Controller prescribes the use and maintains control of all documents concerned with the collection, disbursement and transfer of funds. During our examination we satisfied ourselves that the Library complied with the procedures as set forth by the Auditor-Controller in his memorandum of July 18, 1960.

The Oakland Free Library is administered by a board of five directors, assisted by the Librarian, acting as secretary of the board. We reviewed the minutes of the board, noting that it held meetings at least once a month as required by Section 54 of the Charter of the City of Oakland.

We examined payroll data of the Library on a test basis. Our procedures included reference to records maintained in this Department and the offices of the Civil Service Board, Retirement Systems and the Auditor-Controller. We were satisfied as to the propriety and accuracy of all transactions covered by our test.

U. S. Government bonds owned by the Snow Museum Building Fund and the Book Endowment Fund were found to be in the hands of the City Treasurer during our cash counts in that office.

A charter amendment adding Sections No. 55.1 through 55.4 was approved by the State Legislature on January 14, 1963, providing for a separate Museums Commission. This amendment divorced the administration of the Public Museums and Art Gallery from the Oakland Public Library.

PARK DEPARTMENT

Under the provisions of the City Charter, this Department is administered by a board of five commissioners. The Department cares for all parks and certain other public areas within the City of Oakland. In administering some of the facilities located in these areas, it collects admission fees and rentals and is also reimbursed by various agencies for maintenance functions. The Department maintains accounting records for its revenues.

We communicated on a test basis with a limited number of persons shown in the accounts receivable records. Any exceptions reported were explained to our satisfaction. We also noted a number of overdue accounts. We recommend that (1) regular collection procedures should be put in effect as soon as any account becomes overdue; and (2) steps should be taken to write off any accounts that are clearly found to be uncollectible.

In accordance with the provisions of Section 122 of the City Charter, the Auditor-Controller prescribes the use and maintains control of all documents concerned with the collection, disbursement and transfer of funds. During our examination we satisfied ourselves that the Park Department complied with the procedures as set forth by the Auditor-Controller in his memorandum of July 18, 1960.

We examined payroll data of the Park Department on a test basis. Our procedures included reference to records maintained in this Department and the offices of the Civil Service Board, Retirement Systems and the Auditor-Controller. We were satisfied as to the propriety and accuracy of all transactions covered by our test.

A review of the minutes of the Park Commission indicated that the Commission complied with the provisions of Section 65 of the City Charter, and met at least once in every two weeks during the year.

RECREATION DEPARTMENT

Neighborhood activities in the City's playgrounds, recreation centers and swimming pools are the responsibility of the Recreation Department. It also operates the City's summer camps and day camps, two arts and crafts studios, the municipal golf course, the tennis stadium, picnic grounds, the boathouse and the sailboat house. The accounting functions of the Department include the recording of money received for admissions, fees, rentals, concessionaires' operations, camp reservations and charges; the refunding of camp reservation fees upon proper cancellation; and the furnishing of change funds for all activities of the Department. In accordance with the provisions of Section 122 of the City Charter, the Auditor-Controller prescribes the use and maintains control of all documents concerned with the collection, disbursement and transfer of funds. During our examination we satisfied ourselves that the Recreation Department complied with the procedures as set forth by the Auditor-Controller in his memorandum of July 18, 1960.

We tested the recording of financial transactions by examination of cash records and reports in the Department's accounting office and sailboat house, and verified the information thus obtained by reference to the accounts of the City Treasurer and the Auditor-Controller. We counted several change funds maintained by the Department at various locations and confirmed others by direct correspondence with their custodians.

We examined payroll data of the Recreation Department on a test basis. Our procedures included reference to records maintained in this Department and the offices of the Civil Service Board, Retirement Systems and the Auditor-Controller. We were satisfied as to the propriety and accuracy of all transactions covered by our test.

The Department is directed by a five-member Commission and the Superintendent of Recreation. We reviewed the minutes of the meetings of this Commission and noted that, in compliance with the requirements of Section 58 of the Charter of the City of Oakland, the Commission had held a regular meeting at least every two weeks during the year.

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